

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2019-184-E**

IN RE:	)	
South Carolina Energy Freedom Act	)	
(H.3659) Proceeding to Establish	)	
Dominion Energy South Carolina,	)	
Incorporated's Standard Offer, Avoided	)	<b>DOMINION ENERGY SOUTH</b>
Cost Methodologies, Form Contract	)	<b>CAROLINA, INC.'S</b>
Power Purchase Agreements,	)	<b>LISTING OF KEY ISSUES FOR</b>
Commitment to Sell Forms, and Any	)	<b>DETERMINATION</b>
Other Terms or Conditions Necessary	)	
(Includes Small Power Producers as	)	
Defined in 16 United States Code 796, as	)	
Amended) - S.C. Code Ann. Section 58-	)	
41-20(A)	)	

Pursuant to the Hearing Officer's Directive, 2019-129-H, issued in the above-captioned matter on November 1, 2019, Dominion Energy South Carolina, Inc. ("DESC" or the "Company") hereby submits its listing of the key and fundamental issues the Public Service Commission of South Carolina (the "Commission") must decide in these proceedings under the requirements of S.C. Code Ann. § 58-41-20 as contained in 2019 Act No. 62:

**I. Avoided Cost Methodology**

**A. The issue to be decided is whether the Company's proposed methodology for calculating avoided costs should be approved. In deciding this issue, Act No. 62 provides clear instructions, the most relevant of which are the following:**

As defined by S.C. Code Ann. § 58-41-10(2), "[a]voided costs" means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source." S.C. Code Ann. § 58-41-20(B)(1) requires that "rates for the purchase of energy

and capacity *fully and accurately reflect* the electrical utility's avoided costs." (emphasis added).

S.C. Code Ann. § 58-41-20(B)(3) requires that:

each electrical utility's avoided cost methodology fairly accounts for costs avoided by the electrical utility or incurred by the electrical utility, including, but not limited to, energy, capacity, and ancillary services provided by or consumed by small power producers including those utilizing energy storage equipment. Avoided cost methodologies approved by the commission may account for differences in costs avoided based on the geographic location and resource type of a small power producer's qualifying small power production facility.

S.C. Code Ann. § 58-41-20(A) further provides that "[a]ny decisions by the commission shall be just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and the Federal Energy Regulatory Commission's implementing regulations and orders, and nondiscriminatory to small power producers; and shall strive to reduce the risk placed on the using and consuming public."

**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that the Company's proposed avoided cost methodology, as set forth in the Company's proposed Rate PR-Avoided Cost Methodology, Hr'g Ex. 7, AWR-5, will result in avoided energy and capacity costs that are reasonably equal to, but do not exceed, the incremental costs to DESC of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, the Company would generate itself or purchase from another source. The Commission also finds that Rate PR-Avoided Cost Methodology will result in rates for the purchase of energy and capacity that fully and accurately reflect DESC's avoided costs. The Commission further finds that the proposed Rate PR-Avoided Cost Methodology will fairly account for costs avoided by the electrical utility or incurred by the electrical utility, including, but not limited to, energy, capacity, and ancillary services provided by or consumed by

small power producers. The Commission finally finds that the proposed Rate PR-Avoided Cost Methodology is just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and the Federal Energy Regulatory Commission's ("FERC") implementing regulations and orders, and nondiscriminatory to small power producers; and strives to reduce the risk placed on the using and consuming public.

## **II. Avoided Costs – Rate PR-1, Rate PR-Standard Offer, and Rate PR-Form PPA**

### **A. The issue to be decided is, using the approved methodology, whether the Company's proposed avoided cost rates are appropriately calculated. In this regard, Act No. 62 instructs as follows:**

As defined by S.C. Code Ann. § 58-41-10(2), "[a]voided costs" means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source." S.C. Code Ann. § 58-41-20(B)(1) requires that "rates for the purchase of energy and capacity fully and accurately reflect the electrical utility's avoided costs." S.C. Code Ann. § 58-41-20(B)(3) requires that:

each electrical utility's avoided cost methodology fairly accounts for costs avoided by the electrical utility or incurred by the electrical utility, including, but not limited to, energy, capacity, and ancillary services provided by or consumed by small power producers including those utilizing energy storage equipment. Avoided cost methodologies approved by the commission may account for differences in costs avoided based on the geographic location and resource type of a small power producer's qualifying small power production facility.

S.C. Code Ann. § 58-41-20(A) further provides that "[a]ny decisions by the commission shall be just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and the Federal Energy Regulatory Commission's implementing regulations and orders,

and nondiscriminatory to small power producers; and shall strive to reduce the risk placed on the using and consuming public.”

**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that the avoided cost rates set forth in the Company’s proposed Rate PR-1, Rate PR-Standard Offer, and Rate PR-Form PPA set forth avoided energy and capacity costs that are reasonably equal to, but do not exceed, the incremental costs to DESC of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, the Company would generate itself or purchase from another source. The Commission also finds that Rate PR-1, Rate PR-Standard Offer, and Rate PR-Form PPA set forth rates for the purchase of energy and capacity that fully and accurately reflect DESC’s avoided costs. The Commission further finds that Rate PR-1, Rate PR-Standard Offer, and Rate PR-Form PPA fairly account for costs avoided by the electrical utility or incurred by the electrical utility, including, but not limited to, energy, capacity, and ancillary services provided by or consumed by small power producers. The Commission finally finds that the proposed Rate PR-1, Rate PR-Standard Offer, and Rate PR-Form PPA are just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and FERC’s implementing regulations and orders, and nondiscriminatory to small power producers; and strives to reduce the risk placed on the using and consuming public.

Accordingly, the Commission approves the following avoided cost rates for Rate PR-1, Rate PR-Standard Offer, and Rate PR-Form PPA:

1. PR-1 Rates

**PR-1 RATE: AVOIDED ENERGY COST  
Non-Solar QFs (\$/kWh)**

<b>Time Period</b>	<b>Peak Season Peak Hours (\$/kWh)</b>	<b>Peak Season Off-Peak Hours (\$/kWh)</b>	<b>Off-Peak Season Peak Hours (\$/kWh)</b>	<b>Off-Peak Season Off-Peak Hours (\$/kWh)</b>
May 2019- April 2020	0.03075	0.02566	0.03330	0.03363

**PR-1 RATE: AVOIDED CAPACITY COST  
Non-Solar QFs (\$/kWh)**

<b>Time Period</b>	<b>(\$/kWh)</b>
December, January, February 6 a.m. to 9 a.m.	0.07346

**PR-1 RATE: AVOIDED ENERGY COST  
Solar QFs (\$/kWh)**

<b>Time Period</b>	<b>Year Round (\$/kWh)</b>
May 2019-April 2020	0.02763

**PR-1 RATE: AVOIDED CAPACITY COST  
Solar QFs (\$/kWh)**

The avoided capacity costs for solar QFs are zero.

See Hr'g Ex. 7, AWR-1 and AWR-2.

2. PR-Standard Offer Rates (available to small power producers having power production capacity equal to or less than 2 MW)

**STANDARD OFFER RATE: AVOIDED ENERGY COST  
Non-Solar QFs (\$/MWh)**

<b>Time Period</b>	<b>Peak Season Peak Hours (\$/MWh)</b>	<b>Peak Season Off-Peak Hours (\$/MWh)</b>	<b>Off-Peak Season Peak Hours (\$/MWh)</b>	<b>Off-Peak Season Off- Peak Hours (\$/MWh)</b>
2020-2024	32.80	27.97	33.01	30.73
2025-2029	38.79	31.66	41.91	35.19

**STANDARD OFFER RATE: AVOIDED CAPACITY COST  
Non-Solar QFs (\$/MWh)**

<b>Time Period</b>	<b>(\$/MWh)</b>
December, January, February 6 a.m. to 9 a.m.	73.46

**STANDARD OFFER RATE: AVOIDED ENERGY COST  
Solar QFs (\$/MWh)**

<b>Time Period</b>	<b>Annual (\$/MWh)</b>
2020-2024	16.76
2025-2029	15.66

**STANDARD OFFER RATE: AVOIDED CAPACITY COST  
Solar QFs (\$/MWh)**

The avoided capacity costs for solar QFs are zero.

*See Hr'g Ex. 7, AWR-6.*

3. PR-Form PPA Rates (available to small power producers having power production capacity greater than 2 MW by less than or equal to 80 MW)

Avoided costs for Rate PR-Form PPA shall be as follows:

- I. Energy Payment – To be determined on a project-specific basis using the methodology described in the Rate PR–Avoided Costs Methodology tariff.
- II. Capacity Payment – To be determined on a project-specific basis using the methodology described in the Rate PR–Avoided Costs Methodology tariff.
- III. Seller Charge  
Seller shall pay the following Seller Charge each monthly billing period: \$45.00

*See Hr'g Ex. 7, AWR-7 at 1.*

**III. Variable Integration Charge**

- A. The issue to be decided is whether the Company's proposed Variable Integration Charge appropriately calculates the increase in costs to DESC's electric system caused by facilities with an existing PPA that includes a Variable Integration Charge clause. In this regard, Act No. 62 instructs as follows:

As defined by S.C. Code Ann. § 58-41-10(2), “[a]voided costs” means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source.” S.C. Code Ann. § 58-41-20(B)(1) requires that “rates for the purchase of energy and capacity fully and accurately reflect the electrical utility’s avoided costs.” S.C. Code Ann. § 58-41-20(B)(3) requires that:

each electrical utility’s avoided cost methodology fairly accounts for costs avoided by the electrical utility or incurred by the electrical utility, including, but not limited to, energy, capacity, and ancillary services provided by or consumed by small power producers including those utilizing energy storage equipment. Avoided cost methodologies approved by the commission may account for differences in costs avoided based on the geographic location and resource type of a small power producer’s qualifying small power production facility.

S.C. Code Ann. § 58-41-20(A) further provides that “[a]ny decisions by the commission shall be just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and the Federal Energy Regulatory Commission’s implementing regulations and orders, and nondiscriminatory to small power producers; and shall strive to reduce the risk placed on the using and consuming public.”

**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that the avoided cost rates set forth in the Company’s proposed Variable Integration Charge (“VIC”) of \$4.14/MWh, which is to be applied to existing PPAs with a VIC clause that allows DESC to recover costs incurred by the electrical utility associated with integrating non-dispatchable, variable solar energy, is reasonable and appropriate. The Commission further finds that the Company’s proposed VIC of \$4.14/MWh will result in avoided energy and capacity costs that are reasonably equal to, but do not exceed, the incremental costs to

DESC of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, the Company would generate itself or purchase from another source. The Commission also finds that the Company's proposed VIC of \$4.14/MWh will result in rates for the purchase of energy and capacity that fully and accurately reflect DESC's avoided costs. The Commission further finds that the Company's proposed VIC of \$4.14/MWh fairly accounts for costs incurred by the electrical utility, including, but not limited to, energy, capacity, and ancillary services provided by or consumed by small power producers. The Commission finally finds that the proposed VIC is just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and FERC's implementing regulations and orders, and nondiscriminatory to small power producers; and strives to reduce the risk placed on the using and consuming public.

#### **IV. Standard Offer and Form Contract Power Purchase Agreement**

##### **A. The issue to be decided is whether the Company's Proposed Standard Offer and Form Contract Power Purchase Agreements contain reasonable terms and conditions, are commercially reasonable, and consistent with FERC regulations and orders. In this regard, Act No. 62 instructs as follows:**

S.C. Code Ann. § 58-41-20(A) provides that the Commission shall establish for DESC a standard offer and form contract power purchase agreements ("PPA"). Pursuant to S.C. Code Ann. § 58-41-10(15), "[s]tandard offer" means the avoided cost rates, power purchase agreement, and terms and conditions approved by the commission and applicable to purchases of energy and capacity by electrical utilities as provided in this chapter from small power producers up to two megawatts AC in size." S.C. Code Ann. § 58-41-20(B)(2) requires that PPAs, "including terms and conditions, be commercially reasonable and consistent with regulations and orders promulgated by the Federal Energy Regulatory Commission implementing PURPA."



**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that the terms and conditions of the Company's proposed Standard Offer and Form PPA, Hr'g Ex. 7, AWR-6 and AWR-7, contain reasonable terms and conditions, are commercially reasonable, and are consistent with regulations and orders promulgated by the Federal Energy Regulatory Commission implementing PURPA. The Commission further finds that the Company's proposed Standard Offer and Form PPA fully comply with S.C. Code Ann. §§ 58-41-20(D) and (F)(1). Finally, the Commission also notes that, while the Company's proposed Standard Offer and Form PPA fully comply with Act No. 62 and PURPA, any small power producer has the right under Act No. 62 to negotiate power purchase agreements with terms that differ from the Commission-approved forms. S.C. Code Ann. § 58-41-20(A).

**V. Notice of Commitment to Sell Form**

**A. The issue to be decided is whether the Company's proposed Notice of Commitment to Sell Form contains reasonable and appropriate terms and conditions that provide small power producers the right to sell the output of their facilities to the electrical utility at the avoided cost rates and pursuant to the PPA then in effect by delivering executed NOC Forms to the electrical utility. In this regard, Act No. 62 instructs as follows:**

S.C. Code Ann. § 58-41-20(A) provides that the Commission shall establish for DESC a commitment to sell form. S.C. Code Ann. § 58-41-20(D) also provides that:

A small power producer shall have the right to sell the output of its facility to the electrical utility at the avoided cost rates and pursuant to the power purchase agreement then in effect by delivering an executed notice of commitment to sell form to the electrical utility. The commission shall approve a standard notice of commitment to sell form to be used for this purpose that provides the small power producer a reasonable period of time from its submittal of the form to execute a power purchase agreement. In no event, however, shall the small power producer, as a condition of preserving the pricing and terms and conditions established by its submittal of an executed commitment to sell form to the electrical utility, be required to

execute a power purchase agreement prior to receipt of a final interconnection agreement from the electrical utility.

**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that the Company's proposed Notice of Commitment to Sell Form ("NOC Form") contains reasonable and appropriate terms and conditions that provide small power producers the right to sell the output of its facility to the electrical utility at the avoided cost rates and pursuant to the PPA then in effect by delivering an executed NOC Form to the electrical utility. The Commission also finds that the NOC Form also provides the small power producer a reasonable period of time from its submittal of the form to execute a PPA. Finally, the Commission finds that the NOC Form does not require the small power producer, as a condition of preserving the pricing and terms and conditions established by its submittal of an executed NOC Form, to execute a PPA prior to receipt of a final interconnection agreement from DESC.

**VI. Net Energy Metering ("NEM") Distributed Energy Resource ("DER") Values**

**A. The issue to be decided is whether the Company's proposed NEM DER Values comply with the requirements of Order No. 2015-194. In this regard, Order No. 2015-194 instructs as follows:**

By way of its Order No. 2015-194 issued in Docket No. 2014-246-E, the Commission approved the following 11 components of value for NEM Distributed Energy Resources:

**Net Energy Metering Methodology**

1. +/- Avoided Energy
  2. +/- Energy Losses/Line Losses
  3. +/- Avoided Capacity
  4. +/- Ancillary Services
  5. +/- T&D Capacity
  6. +/- Avoided Criteria Pollutants
  7. +/- Avoided CO<sub>2</sub> Emission Cost
  8. +/- Fuel Hedge
  9. +/- Utility Integration & Interconnection Costs
  10. +/- Utility Administration Costs
  11. +/- Environmental Costs
- = Total Value of NEM Distributed Energy Resources**

**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that DESC properly evaluated the components of value for NEM Distributed Energy Resources, as shown in the table below, in accordance with the NEM methodology approved by the Commission in Order No. 2015-194:

**Total Value of NEM Distributed Energy Resources (\$/kWh)**

	<b>Current Period (\$/kWh)</b>	<b>10-Year Levelized (\$/kWh)</b>	<b>Components</b>
1	0.02671	\$0.01523	Avoided Energy Costs
2	\$0.00	\$0.00	Avoided Capacity Costs
3	\$0.00	\$0.00	Ancillary Services
4	\$0.00	\$0.00	T & D Capacity
5	\$0.00003	\$0.00003	Avoided Criteria Pollutants
6	\$0.00	\$0.00	Avoided CO <sub>2</sub> Emission Cost
7	\$0.00	\$0.00	Fuel Hedge
8	\$0.00	\$0.00	Utility Integration & Interconnection Costs
9	\$0.00	\$0.00	Utility Administration Costs
10	\$0.00089	\$0.00105	Environmental Costs
11	\$0.02763	\$0.01631	Subtotal
12	\$0.00226	\$0.00133	Line Losses @ 0.9245
13	\$0.02989	\$0.01764	<b>Total Value of NEM Distributed Energy Resources</b>

**VII. Rate PR-2**

- A. The issue to be decided is whether the Company's Rate PR-2 should be withdrawn and terminated in accordance with Commission Order Nos. 2019-274 and 2019-316, which instruct as follows:**

In Order No. 2018-322(A), Docket No. 2018-2-E, the Commission approved the Company's Rate PR-2 that was designed to address avoided cost payments DESC is required to make for power purchased from QFs greater than 100 kW and less than or equal to 80 MW. By Order Nos. 2019-274 and 2019-316, issued in Docket No. 2019-2-E, the Commission stayed Rate PR-2 until such time as the Commission approves updated avoided costs for the Company and the Company's VIC applicable to certain existing PPAs.

**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that, with the enactment of Act No. 62, Rate PR-2 is no longer necessary or appropriate. The Commission therefore finds that Rate PR-2 should be withdrawn and terminated effective as of the last billing cycle of April 2019, as specified in Order Nos. 2019-274 and 2019-316.

**VIII. Bifurcation of 2019-2-E**

**A. The issue to be decided is whether the Company should be permitted to “true up” its avoided costs, variable integration costs, and updates to the values included in the NEM methodology as contemplated by Order No. 2019-43-H, which instructs as follows:**

In Order No. 2019-43-H, the Commission determined that issues pertaining to avoided costs, variable integration costs, and updates to the values included in the NEM methodology should be bifurcated from DESC’s fuel cost proceeding held in April 2019. The Commission held these issues in abeyance and ordered that, once these values were established, there would be a “true-up” of these amounts.

**B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

Because issues pertaining to avoided cost, variable integration costs, and updates to the values included in the NEM methodology have been established in this proceeding, the Commission finds that the Company should be authorized to “true up” for unrecovered costs.

First, in regard to the NEM rates, the Commission finds that DESC shall calculate the difference between existing rates and the updated rates approved herein and then separately account for the difference as an incremental cost adjustment. The Commission also finds that the Company shall adjust its fuel costs as part of its 2020-2-E annual fuel cost review proceeding to account for these incremental costs.

Second, as to variable integration costs, the Commission authorizes the Company to true up for these unrecovered costs for the period from the first billing cycle in May 2019 until the first billing cycle for the month after the date of this order. The Commission then authorizes DESC to deduct these “trued up” costs from future payments made to the solar producers with existing PPAs containing the agreement to reimburse the Company for any such unrecovered variable integration costs.

## **IX. Transparency**

### **A. The issue to be decided is whether the Company’s avoided cost filing was reasonably transparent. In this regard, 2019 Act No. 2019 instructs as follows:**

S.C. Code Ann. § 58-41-20(J) provides that “[e]ach electrical utility’s avoided cost filing must be reasonably transparent so that underlying assumptions, data, and results can be independently reviewed and verified by the parties and the commission.”

### **B. Commission Decision: Based on the evidence of record, DESC respectfully asserts that the Commission should find as follows:**

The Commission finds that DESC’s avoided cost filing in this proceeding was reasonably transparent and properly allowed the parties and the Commission to independently review and verify the underlying assumptions, data, and results.

DESC respectfully submits that the above key issues are those that ought to be considered and resolved by the Commission in this proceeding.

{SIGNATURES ON FOLLOWING PAGE}

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